

Economic Research Department

According to January's *Business Outlook Survey*, manufacturing activity is little changed from last month. Although survey respondents continue to forecast a pickup in activity by midyear, expectations for such a recovery have fallen somewhat from previous surveys. Weak demand is also placing downward pressure on prices.

CURRENT CONDITIONS

The diffusion index for overall activity indicates that output in the region's manufacturing sector was basically flat in January. Although still slightly negative, the reading of -1.6 represents an improvement over December's -12.4. Nearly 56 percent of firms surveyed say business is running at a steady pace, and the percentage reporting an increase (20.2 percent) nearly matches the percentage reporting a decline (21.8 percent).

Despite the lack of any increase in overall activity, shipments were up in January. Of those firms responding to the survey, 32 percent reported higher shipments and 12 percent reported lower shipments.

Soft demand for manufactured goods, however, is evident in survey responses regarding new orders with the percentage reporting decreases

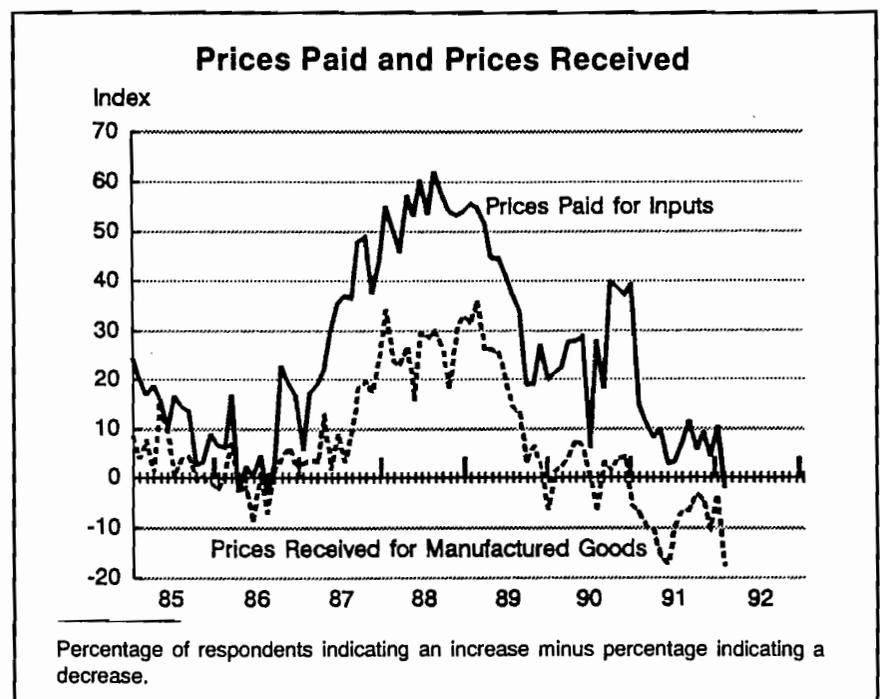
(22 percent) slightly outweighing the percentage reporting increases (19 percent). On balance, the number of unfilled orders is also decreasing, and delivery times are shortening, according to local manufacturers.

Employment levels remain virtually stable; nearly 55 percent of the respondents report no change in the number of workers. The percentage reporting declines slightly exceeds the percentage reporting increases.

Nevertheless, the index of -5 for January represents an improvement over December's level of -20.

PRICES

The apparent sluggish demand for manufactured goods is placing downward pressure on prices (see chart). Eighty-two percent of the surveyed manufacturers report steady prices for their own goods in January, and 18 percent report de-



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clining prices. No firm reports an increase in prices for its own products this month. The diffusion index of prices received for January is at its lowest point in the 24-year history of the series. With respect to input prices, about 96 percent of the firms report no change from the previous month.

The majority of firms (64 percent) intend to hold the line on prices for their products over the next six months. However, the percentage planning increases (24 percent) still exceeds the percentage that expects to cut prices (9 percent). About 64 percent of those surveyed forecast level prices for raw materials and other purchased inputs.

THE OUTLOOK

The slowdown in manufacturing activity over the past few months may be dampening somewhat the expectation of a recovery by mid-year. The diffusion index of future activity dropped from 72 in December to 56 in January. On balance, however, expectations continue to be positive among area manufacturers. A majority of firms (69 percent) expect an increase in activity by July, and only 13 percent expect a decline. In their outlook, area manufacturers generally see stronger demand for their products, and the majority predict increases in new orders and shipments between now and July. On balance, employment

levels are expected to remain at current levels.

SUMMARY

With the exception of an increase in shipments, Business Outlook Survey respondents report that most indicators of current activity are steady or marginally negative. The recent slowing of manufacturing activity may be nearing a bottom as respondents report little change in new orders and employment levels. Expectations of a recovery by mid-year prevail despite the current lackluster demand for manufactured goods.

BUSINESS OUTLOOK SURVEY Summary of Returns January 1992

| Indicator | January vs. December | | | | Six Months from Now vs. January | | | |
|--|----------------------------|--------------|----------|--------------------|---------------------------------------|--------------|----------|--------------------|
| | Decrease | No Change | Increase | Diffusion Index | Decrease | No Change | Increase | Diffusion Index |
| General Business Conditions | | | | | | | | |
| What is your evaluation of the level of general business activity? | 21.8 | 55.7 | 20.2 | -1.6 | 12.6 | 18.6 | 68.8 | 56.2 |
| Company Business Indicators | | | | | | | | |
| New Orders | 22.3 | 58.4 | 19.3 | -3.0 | 11.6 | 19.1 | 69.1 | 57.5 |
| Shipments | 11.6 | 56.5 | 31.9 | 20.3 | 12.9 | 26.6 | 60.5 | 47.6 |
| Unfilled Orders | 30.6 | 60.3 | 7.1 | -23.5 | 13.4 | 43.0 | 41.9 | 28.5 |
| Delivery Time | 22.7 | 66.7 | 8.5 | -14.3 | 13.9 | 71.9 | 14.2 | 0.2 |
| Inventories | 32.0 | 46.8 | 21.2 | -10.9 | 32.6 | 44.2 | 23.2 | -9.4 |
| Prices Paid | 3.0 | 96.1 | 0.9 | -2.1 | 4.1 | 63.8 | 31.0 | 26.9 |
| Prices Received | 17.7 | 81.8 | 0.0 | -17.7 | 9.3 | 64.0 | 23.7 | 14.4 |
| Number of Employees | 25.0 | 54.6 | 20.2 | -4.9 | 18.9 | 58.1 | 22.9 | 4.0 |
| Average Employee Workweek | 24.7 | 62.0 | 12.7 | -12.1 | 9.7 | 53.0 | 37.3 | 27.7 |
| Capital Expenditures | — | — | — | — | 13.5 | 36.9 | 41.0 | 27.5 |

Notes: (1) Items may not add up to 100 percent because of omission by respondents.

(2) All data seasonally adjusted.

(3) Diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease.